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# HOUSE BILL No. 1886

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3.1-25; IC 22-4.1-7.

**Synopsis:** Tax credit for certified internship programs. Allows a state educational institution to apply to the department of workforce development for certification for an internship program operated or administered by the institution. Requires the department, in conjunction with the commission for higher education, to certify an internship program if the program meets certain requirements. Provides a refundable credit against the state tax liability of an Indiana employer for 25% of the payroll expenditures made by the employer during a taxable year to a student participating in a certified internship program. Provides that the total amount of all tax credits approved for such payroll expenditures may not exceed \$300,000 in a state fiscal year.

**Effective:** Upon passage; January 1, 2004.

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## Austin, Reske

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January 23, 2003, read first time and referred to Committee on Ways and Means.

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First Regular Session 113th General Assembly (2003)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2002 Regular or Special Session of the General Assembly.

## HOUSE BILL No. 1886

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

*Be it enacted by the General Assembly of the State of Indiana:*

1       SECTION 1. IC 6-3.1-25 IS ADDED TO THE INDIANA CODE  
2       AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
3       JANUARY 1, 2004]:

4       **Chapter 25. Certified Internship Program Payroll Credit**

5       **Sec. 1. As used in this chapter, "certified internship program"**  
6       **has the meaning set forth in IC 22-4.1-7-1.**

7       **Sec. 2. As used in this chapter, "department" has the meaning**  
8       **set forth in IC 6-3-1-4.**

9       **Sec. 3. As used in this chapter, "Indiana employer" means any**  
10       **individual or organization that is legally doing business in Indiana**  
11       **and that employs at least one (1) individual in Indiana, not**  
12       **including any students employed through a certified internship**  
13       **program under IC 22-4.1-7.**

14       **Sec. 4. As used in this chapter, "pass through entity" means:**

- 15       **(1) a corporation that is exempt from the adjusted gross**  
16       **income tax under IC 6-3-2-2.8(2);**  
17       **(2) a partnership;**



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(3) a limited liability company; or

(4) a limited liability partnership.

Sec. 5. As used in this chapter, "payroll expenditures" means the wages actually paid by an Indiana employer to a student participating in a certified internship program under IC 22-4.1-7.

Sec. 6. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

(1) IC 6-3-1 through IC 6-3-7 (adjusted gross income tax);

(2) IC 6-5.5 (the financial institutions tax); and

(3) IC 27-1-18-2 (insurance premiums tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

Sec. 7. As used in this chapter, "student" has the meaning set forth in IC 22-4.1-7-4.

Sec. 8. As used in this chapter, "taxpayer" means an Indiana employer that employs one (1) or more students through a certified internship program under IC 22-4.1-7.

Sec. 9. (a) A taxpayer is entitled to a credit against the taxpayer's state tax liability for the payroll expenditures paid by the taxpayer in the taxable year. To be eligible for the credit provided by this section, a taxpayer's payroll expenditures must have been made to a student participating in an internship program that was certified under IC 22-4.1-7 not later than the last day of the year immediately preceding the taxable year for which the taxpayer claims the credit.

(b) Subject to the limitations described in section 13 of this chapter, the amount of the credit is equal to the total of the taxpayer's payroll expenditures that are eligible for the credit under subsection (a) in the taxable year multiplied by twenty-five percent (25%).

Sec. 10. (a) If the amount determined under section 9(b) of this chapter for a taxpayer in a taxable year exceeds the taxpayer's state tax liability for that taxable year, the taxpayer may carry the excess over to the following taxable years. The amount of the credit carryover from a taxable year shall be reduced to the extent that the carryover is used by the taxpayer to obtain a credit under this chapter for any subsequent taxable year. A taxpayer is not entitled to a carryback.

(b) A taxpayer is entitled to a refund of any unused credit.

Sec. 11. If a pass through entity does not have state income tax liability against which the tax credit may be applied, a shareholder,



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partner, or member of the pass through entity is entitled to a tax credit equal to:

- (1) the tax credit determined for the pass through entity for the taxable year; multiplied by
- (2) the percentage of the pass through entity's distributive income to which the shareholder, partner, or member is entitled.

**Sec. 12.** To receive the credit provided by this chapter, a taxpayer must claim the credit on the taxpayer's state tax return in the manner prescribed by the department. The taxpayer must submit to the department proof of payment of the payroll expenditures and all information that the department determines is necessary for the calculation of the credit provided by this chapter.

**Sec. 13.** The department shall record the time of filing of each application for allowance of a credit under section 12 of this chapter and shall approve the applications if they otherwise qualify for a tax credit under this chapter in the chronological order in which the applications are filed. However, the department may not approve any application in a state fiscal year if the total amount of allowable credits approved in the fiscal year exceeds three hundred thousand dollars (\$300,000). However, if an applicant for whom a credit has been approved fails to file the statement of proof of payment required under section 12 of this chapter, an amount equal to the credit previously allowed or set aside for the applicant may be allowed to any subsequent applicant in the year. In addition, the department may, if the applicant requests, approve a credit application, in whole or in part, with respect to the next succeeding state fiscal year.

SECTION 2. IC 22-4.1-7 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:

#### **Chapter 7. Certified Internship Programs**

**Sec. 1.** As used in this chapter, "certified internship program" refers to an internship program that is certified by the department in consultation with the commission for higher education under section 5 of this chapter.

**Sec. 2.** As used in this chapter, "employer" has the meaning set forth in IC 22-8-1.1-1.

**Sec. 3.** As used in this chapter, "state educational institution" means any university, college, or other educational institution existing on or after March 29, 1971, in Indiana, to provide

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1 programs of collegiate or university education or other  
 2 postsecondary education and that is supported in whole or in part  
 3 by appropriations made by the general assembly. The term  
 4 includes Ivy Tech State College, Vincennes University, and any  
 5 other institution or program that is part of the community college  
 6 system under IC 20-12-75.

7 Sec. 4. As used in this chapter, "student" means an individual  
 8 who is enrolled at a state educational institution on at least a  
 9 part-time basis.

10 Sec. 5. (a) A state educational institution that seeks certification  
 11 for an internship program under this chapter shall submit an  
 12 application for certification to the department on a form  
 13 prescribed by the department.

14 (b) The department, in consultation with the commission for  
 15 higher education, shall certify an internship program under this  
 16 chapter if the program:

17 (1) is operated or administered by a state educational  
 18 institution or a department, school, or program within a state  
 19 educational institution;

20 (2) integrates a particular curriculum or course of study  
 21 offered at the state educational institution with career  
 22 internships provided by employers;

23 (3) places students in career internships provided by  
 24 employers;

25 (4) requires participating students to meet certain academic  
 26 standards established by rule by the department in  
 27 consultation with the commission for higher education;

28 (5) requires an employer to provide to a participating student  
 29 the:

30 (A) supervision; and

31 (B) payroll and personnel services, if the employer  
 32 provides wages or other compensation to the participating  
 33 student;

34 that the employer provides to its regular part-time employees,  
 35 if any;

36 (6) is designed to provide an internship experience that  
 37 enriches and enhances the classroom experience of  
 38 participating students;

39 (7) requires employers to comply with all state and federal  
 40 laws pertaining to the workplace; and

41 (8) complies with any other requirement adopted by rule by  
 42 the department after consultation with the commission for

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higher education.

Sec. 6. A certified internship program may allow a student to participate in an internship at any time during the year, including the summer, as long as the student remains enrolled at the state educational institution that operates or administers the certified internship program.

Sec. 7. The department, in consultation with the commission for higher education, may adopt rules under IC 4-22-2 to implement this chapter.

SECTION 3. [EFFECTIVE JANUARY 1, 2004] The credit against a taxpayer's state tax liability provided under IC 6-3.1-25, as added by this act, applies to taxable years beginning after December 31, 2003.

SECTION 4. [EFFECTIVE UPON PASSAGE] (a) As used in this SECTION, "department" refers to the department of workforce development.

(b) Notwithstanding IC 22-4.1-7-7, as added by this act, the department, in consultation with the commission for higher education, shall adopt any rules to implement IC 22-4.1-7, as added by this act, in the same manner as emergency rules are adopted under IC 4-22-2-37.1. Any rules adopted under this SECTION must be adopted not later than September 1, 2003. A rule adopted under this SECTION expires on the earlier of:

(1) the date a rule is adopted by the department, in consultation with the commission for higher education, under IC 4-22-2-24 through IC 4-22-2-36 to implement IC 22-4.1-7, as added by this act; or

(2) January 1, 2005.

(c) This SECTION expires January 1, 2005.

SECTION 5. An emergency is declared for this act.

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